

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC)	
SERVICE COMMISSION OF THE)	
APPLICATION OF THE FUEL ADJUST-)	
MENT CLAUSE OF LOUISVILLE GAS)	CASE NO. 9734
AND ELECTRIC COMPANY FROM)	
NOVEMBER 1, 1984, TO)	
OCTOBER 31, 1986)	

O R D E R

Pursuant to 807 KAR 5:056, Sections 1 (11) and 1 (12), the Public Service Commission ("Commission") issued its Order on November 12, 1986, scheduling a hearing to review the operation of the fuel adjustment clause of Louisville Gas and Electric Company ("LG&E") for the past 2 years and to determine the amount of fuel cost that should be transferred (rolled in) to the base rates in order to reestablish the fuel clause charge in accordance with 807 KAR 5:056, Section 1 (2).

In response to the Commission's requests for information, LG&E proposed to leave its base fuel cost of 15.11 mills per KWH unchanged. In Case No. 8591, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Louisville Gas and Electric Company from November 1, 1980, to October 31, 1982, LG&E selected October 1982 as the base period (test month) for the purpose of arriving at the base fuel cost

[F(b)] and the KWH sales [S(b)] components of the fuel adjustment clause. LG&E provided all requested information, and following proper notice, a hearing was held on February 10, 1987.

The sole intervenor in this case was the Utility and Rate Intervention Division of the Attorney General's Office ("AG"). The AG did not offer testimony, and on cross-examination did not challenge the level of actual fuel cost included in LG&E's monthly fuel filings, or the proposed base fuel cost of 15.11 mills per KWH.

In establishing the appropriate level of base fuel cost to be included in LG&E's rates, the Commission must determine whether the proposed base period fuel cost per KWH is representative of the level of fuel cost currently being experienced by LG&E. The Commission's review of generation mix, unit outages and unit availability disclosed that October 1982 was a reasonably representative generation month for LG&E. The Commission's analysis of LG&E's monthly fuel clause filings shows that the actual fuel cost incurred for the 2-year period ended October 31, 1986, ranged from a low of 13.87 mills per KWH in April 1986 to a high of 16.12 mills per KWH in December 1984, with an average fuel cost for the 2-year period of 14.63 mills per KWH. The Commission is of the opinion that LG&E has complied with 807 KAR 5:056, and that the base period fuel cost of 15.11 mills per KWH should be approved.

The Commission, having considered the evidence of record and being advised, finds that:

(1) LG&E has complied in all material respects with the provisions of 807 KAR 5:056.

(2) The test month of October 1982 should be used as LG&E's base period in this proceeding.

(3) LG&E's proposed base period fuel cost of 15.11 mills per KWH should be approved.

(4) The base fuel cost of 15.11 mills per KWH is the same base fuel cost currently included in LG&E's base rates.

IT IS THEREFORE ORDERED that:

(1) The charges and credits applied by LG&E through the fuel adjustment clause for the period November 1, 1984, through October 31, 1986, be and they hereby are approved.

(2) LG&E's proposed base period fuel cost of 15.11 mills per KWH be and it hereby is approved.

(3) The base rates set forth in LG&E's current tariffs shall remain unchanged.

Done at Frankfort, Kentucky, this 14th day of April, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director